

[Delayed] The original disclosure in Japanese was released on May 11, 2023 at 15:00 (GMT+9)

May 11, 2023

Tsukada Global Holdings Inc.
Consolidated Earnings Report for the Three Months ended March 31, 2023
(Japanese GAAP)

Stock listing: Tokyo Stock Exchange (Prime Market)

Securities code: 2418

URL: <https://www.tsukada-global.holdings/en/>

Representative: Masayuki Tsukada, President and CEO

Information contact: Masahiro Yamazaki, Manager, Finance &
Accounting Department

Tel: +81-3-5464-0081

Scheduled dates:

Filing of statutory quarterly financial report (*shihanki hokokusho*): May 12, 2023

Dividend payout:

-

Supplementary materials to quarterly financial results available: No

Quarterly earnings presentation held: No

(Amounts rounded down to the nearest million yen)

1. Consolidated Performance for the Three Months ended March 31, 2023
(January 1, 2023 – March 31, 2023)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended March 31, 2023	12,250	40.8	(13)	-	72	-	37	-
Three months ended March 31, 2022	8,699	69.3	(1,845)	-	(973)	-	(1,283)	-

Note: Comprehensive income: Three months ended March 31, 2023: (182) million yen (- %)
Three months ended March 31, 2022: (924) million yen (- %)

	Profit per share	Diluted profit per share
	yen	yen
Three months ended March 31, 2023	0.78	-
Three months ended March 31, 2022	(26.91)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
March 31, 2023	85,316	22,665	26.3
December 31, 2022	87,472	23,086	26.1

Reference: Total equity: March 31, 2023: 22,445 million yen
December 31, 2022: 22,866 million yen

2. Dividends

	Dividend per share				
	End-Q1	End-Q2	End-Q3	Year-end	Annual total
	yen	yen	yen	yen	yen
Year ended December 31, 2022	-	0.00	-	5.00	5.00
Year ending December 31, 2023	-				
Year ending December 31, 2023 (Forecast)		5.00	-	5.00	10.00

Note: No revision has been made to the latest dividends forecast.

3. Earnings Forecast for the Fiscal Year ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending June 30, 2023	26,490	17.5	786	-	614	(54.1)	293	-	6.14
Year ending December 31, 2023	57,990	12.2	4,508	51.5	4,171	(12.3)	2,927	95.3	61.36

Note: No revision has been made to the latest earnings forecast.

*Notes

(1) Changes in significant subsidiaries during the period: None

(Changes in specific subsidiaries accompanying a change in scope of consolidation)

Newly Consolidated: None

Newly Deconsolidated: None

(2) Use of accounting methods specific to the preparation of quarterly consolidated financial statements:
Yes

Note: For details, please refer to “(3) Notes on Quarterly Consolidated Financial Statements (Application of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)” in section “2. Quarterly Consolidated Financial Statements and Main Notes” on page 4 in the accompanying materials.

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

1) Changes in accordance with amendments to accounting standards, etc.: Yes

2) Changes other than noted in 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Shares issued (common stock)

	March 31, 2023	December 31, 2022
1) Number of shares issued at end of period (including treasury stock)	48,960,000	48,960,000
2) Number of shares held in treasury at end of period	1,259,834	1,259,834
	Three Months ended March 31, 2023	Three Months ended March 31, 2022
3) Average number of shares outstanding during the period	47,700,166	47,700,166

* Quarterly earnings reports are exempt from quarterly review conducted by certified public accountants or by audit firms.

***Appropriate Use of Earnings Forecast and Other Important Information**

(Cautionary Statement with Respect to Forward-Looking Statements)

Any forecasts and forward-looking statements given herein are based on information available as of this report's publication and on certain assumptions that are deemed reasonable. These forecasts are not guarantees of future performance, and actual results may differ from forecasts due to changes in the business environment. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "(3) Earnings Forecast for the Fiscal Year ending December 31, 2023" in the section "1. Review of Consolidated Financial Results" on page 3 in the accompanying materials.

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1. Review of Consolidated Financial Results

(1) Operating Results

In the three months ended March 31, 2023, the future outlook of the Japanese economy remained uncertain due to supply chain disruptions caused by heightened geopolitical risks and to soaring energy costs and raw material costs. This was despite the fact that economic momentum was revived, helped by various government policies, as witnessed by rebounding consumer spending and private-sector capital expenditures even amid COVID-19.

Amidst this environment, the Tsukada Global Holdings Group ("the Group") focused on creating new value, developing high-quality and attractive outlets, providing high value-added services in the bridal, hotel, and wellness and relaxation (W&R) markets, and taking all possible measures to prevent coronavirus infections at all of its facilities.

In the Hotel business, the number of foreign visitors to Japan increased to 1.81 million in March 2023, supported by the gradual lifting of travel restrictions (Japan National Tourism Organization, "Number of Foreign Visitors to Japan (March 2023 estimate)"), a recovery of 65.8% from March 2019, thus causing occupancy rates and unit prices for accommodation to rise with stable conditions continuing. The number of weddings held in the Wedding and Hotel businesses more or less returned to normal as postponements due to COVID-19, a phenomenon which had occurred frequently until the previous fiscal year, largely disappeared. However, the recovery in spend per wedding stalled, making it difficult to predict the future outlook.

As a result, in the first three months of fiscal 2023, the Group posted consolidated net sales of ¥12,250 million (up 40.8% year on year). The Group recorded an operating loss of ¥13 million (compared with a loss of ¥1,845 million a year earlier), ordinary income of ¥72 million (compared with a loss of ¥973 million a year earlier), and net income attributable to owners of the parent of ¥37 million (compared with a loss of ¥1,283 million a year earlier).

The results for each business segment were as follows.

1) Wedding business

During the first three months of fiscal 2023, the number of weddings increased to 2,157 (up 22.4% year on year) amid COVID-19, and the segment posted a profit although the recovery in spend per wedding remained stagnant.

As a result, net sales in the Wedding business totaled ¥7,149 million (up 29.0% year on year) and segment profit was ¥264 million (compared with a loss of ¥304 million a year earlier).

2) Hotel business

The number of hotel weddings increased to 354 (up 23.8% year on year) in the first three months of fiscal 2023. Overnight occupancy rates and average charge per night were also strong as foreign visitors to Japan grew in number, and inbound tourism-related demand recovered moderately after a period of sharp decline.

As a result, net sales in the Hotel business totaled ¥4,382 million (up 77.3% year on year) and segment profit was ¥215 million (compared with a loss of ¥1,077 million a year earlier).

3) W&R business

In the first three months of fiscal 2023, the number of visitors, net sales, and segment profit

of the Beauty & Relax SPA-HERBS spa complex all exceeded those of the previous fiscal year, helped by the fact that it was awarded the number one spot overall in Japan in the Nifty Annual Spa Ranking program. However, the British-style Queensway reflexology salons struggled to increase treatment staff and closures of unprofitable outlets had an impact on business performance, resulting in a small increase in segment sales, and a loss despite a recovery in profitability.

As a result, net sales in the W&R business totaled ¥718 million (up 4.9% year on year) and the segment loss was ¥40 million (compared with a loss of ¥107 million a year earlier).

(2) Analysis of Financial Condition

Assets, Liabilities, and Net Assets

Total assets as of March 31, 2023, the end of the first three months of fiscal 2023, amounted to ¥85,316 million, a decrease of ¥2,155 million from the end of the previous fiscal year (December 31, 2022). This is mainly due to a decrease of ¥2,113 million in cash and deposits due to repayments of interest-bearing debt and tax payments.

Total liabilities as of March 31, 2023 came to ¥62,650 million, a decrease of ¥1,735 million from the end of the previous fiscal year (December 31, 2022). This is mainly due to a decrease of ¥974 million in “Others” under current liabilities due to payments of consumption taxes and to a decrease of ¥671 million in income taxes payable.

Total net assets as of March 31, 2023 amounted to ¥22,665 million, a decrease of ¥420 million from the end of the previous fiscal year (December 31, 2022). This is mainly due to a decrease of ¥201 million in retained earnings as a result of the recording of year-end dividends and a decrease of ¥238 million in deferred gain on derivatives under hedge accounting owing to revaluation.

(3) Earnings Forecast for the Fiscal Year Ending December 31, 2023

There is no change to the consolidated earnings forecasts for the six months ending June 30, 2023 and the full fiscal year ending December 31, 2023 as announced in the Group’s full-year Consolidated Earnings Report released on February 14, 2023.

Actual earnings could potentially differ markedly from the forecasts due to various future factors. The Company will promptly release any revisions to its consolidated earnings forecasts should this become necessary.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheets

	(millions of yen)	
	December 31, 2022	March 31, 2023
	Amount	Amount
Assets		
Current assets		
Cash and deposits	21,238	19,124
Accounts receivable - trade	1,479	1,476
Merchandise	166	177
Raw materials and supplies	381	355
Other	1,360	1,286
Allowance for doubtful receivables	(37)	(37)
Total current assets	24,588	22,383
Fixed assets		
Tangible assets		
Buildings and structures, net	29,083	28,628
Land	9,544	9,555
Construction in progress	1,007	1,487
Other, net	1,496	1,521
Total tangible assets	41,131	41,193
Intangible assets		
Goodwill	1,157	1,082
Other	1,020	987
Total intangible assets	2,177	2,070
Investments and other assets		
Investment securities	5,599	5,798
Lease and guarantee deposits	7,211	7,081
Other	6,703	6,741
Allowance for doubtful receivables	(121)	(122)
Total investments and other assets	19,392	19,498
Total fixed assets	62,702	62,762
Deferred assets	181	170
Total assets	87,472	85,316

	(millions of yen)	
	December 31, 2022	March 31, 2023
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	2,101	2,020
Current portion of long-term debt	7,106	5,508
Current portion of bonds	964	994
Income taxes payable	839	168
Advances received	3,107	3,775
Allowance for loss on shop closing	62	7
Asset retirement obligations	47	38
Other	4,300	3,325
Total current liabilities	18,530	15,838
Fixed liabilities		
Bonds	5,703	5,423
Long-term debt	33,722	34,837
Net defined benefit liability	407	416
Provision for directors' retirement benefits	953	969
Asset retirement obligations	4,535	4,572
Other	532	592
Total fixed liabilities	45,855	46,811
Total liabilities	64,386	62,650
Net assets		
Shareholders' equity		
Capital stock	472	472
Capital surplus	634	634
Retained earnings	22,140	21,939
Treasury stock	(892)	(892)
Total shareholders' equity	22,353	22,152
Accumulated other comprehensive income		
Deferred gain (loss) on derivatives under hedge accounting	171	(66)
Foreign currency translation adjustments	347	366
Remeasurements of defined benefit plan	(5)	(6)
Total accumulated other comprehensive income	513	293
Non-controlling interests	219	219
Total net assets	23,086	22,665
Total liabilities and net assets	87,472	85,316

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

	(millions of yen)	
	Three months ended March 31, 2022	Three months ended March 31, 2023
	Amount	Amount
Net sales	8,699	12,250
Cost of sales	7,148	8,360
Gross profit (loss)	1,551	3,890
Selling, general and administrative expenses	3,397	3,903
Operating income (loss)	(1,845)	(13)
Non-operating income		
Interest income	16	11
Gain on investments in silent partnership	71	70
Gain on investments in capital	-	61
Subsidy income	755	17
Foreign exchange gains	455	68
Other	21	22
Total non-operating income	1,319	251
Non-operating expenses		
Interest expenses	111	122
Loss on investments in capital	138	-
Share of loss of entities accounted for using equity method	21	12
Other	176	30
Total non-operating expenses	447	165
Ordinary income (loss)	(973)	72
Extraordinary income		
Gain on sales of fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on disposal of fixed assets	0	51
Shop closing expenses	-	16
Loss on sales of investment securities	32	-
Other	3	-
Total extraordinary loss	36	68
Profit (loss) before income taxes	(1,009)	4
Income taxes	272	(32)
Profit (loss)	(1,282)	36
Profit (loss) attributable to non-controlling interests	1	(0)
Profit (loss) attributable to owners of the parent	(1,283)	37

Consolidated Statements of Comprehensive Income

	(millions of yen)	
	Three months ended March 31, 2022	Three months ended March 31, 2023
	Amount	Amount
Profit (loss)	(1,282)	36
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	(23)	-
Deferred gain (loss) on derivatives under hedge accounting	201	(238)
Foreign currency translation adjustments	83	10
Remeasurements of defined benefit plan	(0)	(0)
Share of other comprehensive income of entities accounted for using equity method	96	9
Total other comprehensive income	357	(218)
Comprehensive income	(924)	(182)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(938)	(182)
Comprehensive income attributable to non-controlling interests	13	0

(3) Notes on Quarterly Consolidated Financial Statements

(Note on the Going-concern Assumption)

Not applicable

(Note on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Application of Specific Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements)

(Simplified accounting methods)

1) Calculation method for depreciation of fixed assets

Depreciation expenses for assets to which the declining-balance method is applied are calculated by allocating a quarterly proportion of the amount for the full fiscal year.

2) Calculation method for deferred tax assets and deferred tax liabilities

Regarding judgments on the amount of recoverable deferred tax assets, the Company has determined that there have been no significant changes in the economic environment or emergence of temporary differences since the end of the previous fiscal year, and therefore the calculations are based on future earnings forecasts from the previous fiscal year and tax planning methods.

(Special accounting treatments)

Calculation of taxes

The Company calculates tax liabilities by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to profit (loss) before income taxes for the fiscal year, which encompasses the first quarter ended March 31, 2023 and then multiplying profit (loss) before income taxes by this estimated effective tax rate. In cases where this estimated effective tax rate cannot be used, the statutory effective tax rate is used.

(Changes in Accounting Policies)

(Application of Guidance on Accounting Standard for Measurement of Fair Value)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Fair Value Measurement Guidance") has been applied from the beginning of the first quarter of the fiscal year ending December 31, 2023. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policy prescribed by the Fair Value Measurement Guidance has been applied prospectively. This application has no impact on the quarterly consolidated financial statements.

(Segment Information)

I. Three months ended March 31, 2022 (January 1 to March 31, 2022)

1. Net sales and income/loss by reportable segment and information on disaggregation of revenue

	Reportable segment				(millions of yen)	
	Wedding business	Hotel business	W&R business	Total	Adjustments (note 1)	Amount recorded on consolidated statements of income (note 2)
Net sales						
Revenue from contracts with customers	5,519	2,472	685	8,676	-	8,676
Other revenue	22	-	-	22	-	22
Sales to outside customers	5,542	2,472	685	8,699	-	8,699
Inter-segment sales and transfers	354	169	6	531	(531)	-
Total	5,897	2,641	691	9,230	(531)	8,699
Segment loss	(304)	(1,077)	(107)	(1,489)	(356)	(1,845)

Notes: 1. The minus 356 million yen adjustment for the segment loss includes a 19 million yen elimination of inter-segment sales, and minus 375 million yen in corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments.

2. Segment loss is adjusted to correspond with operating loss reported on the quarterly consolidated statements of income.

2. Impairment loss on fixed assets or goodwill by reportable segment

Not applicable

II. Three months ended March 31, 2023 (January 1 to March 31, 2023)

1. Net sales and income/loss by reportable segment and information on disaggregation of revenue

	Reportable segment				(millions of yen)	
	Wedding business	Hotel business	W&R business	Total	Adjustments (note 1)	Amount recorded on consolidated statements of income (note 2)
Net sales						
Revenue from contracts with customers	7,145	4,382	718	12,246	-	12,246
Other revenue	4	-	-	4	-	4
Sales to outside customers	7,149	4,382	718	12,250	-	12,250
Inter-segment sales and transfers	426	244	8	678	(678)	-
Total	7,575	4,627	726	12,929	(678)	12,250
Segment income (loss)	264	215	(40)	439	(452)	(13)

- Notes: 1. The minus 452 million yen adjustment for the segment income (loss) includes a 5 million yen elimination of inter-segment sales and minus 458 million yen in corporate expenses that are not allocated to each reportable segment. The main component of these unallocated corporate expenses is general and administrative expenses that are not attributable to reportable segments.
2. Segment income (loss) is adjusted to correspond with operating loss reported on the quarterly consolidated statements of income.

2. Impairment loss on fixed assets or goodwill by reportable segment

Not applicable

(Revenue Recognition)

Information on the disaggregation of revenue from contracts with customers is as stated in "Notes on Quarterly Consolidated Financial Statements (Segment Information)".

3. Supplementary Information (Weddings Held and Orders Received)

1) Number of weddings held

	Three months ended March 31, 2022	Three months ended March 31, 2023	Year ended December 31, 2022
Segment	Number of weddings held (cases)	Number of weddings held (cases)	Number of weddings held (cases)
Wedding business	1,762	2,157	10,837
Hotel business	286	354	1,660
Total	2,048	2,511	12,497

2) Wedding orders received

	Three months ended March 31, 2022		Three months ended March 31, 2023		Year ended December 31, 2022	
Segment	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)	Orders received (cases)	Order backlog (cases)
Wedding business	2,751	7,996	3,082	6,905	9,810	5,980
Hotel business	446	1,381	538	1,304	1,559	1,120
Total	3,197	9,377	3,620	8,209	11,369	7,100